



SEATTLE EMPLOYEES' RETIREMENT SYSTEM NEWSLETTER

FOR ACTIVE AND RETIRED MEMBERS WINTER 99

Are You Prepared for Retirement?

Did you know that the Performance Resource Group of ESD offers a "Preparing for Retirement" class for City employees and their partners? If you are within 10 years of retirement you may wish to apply for this 6-week class. Speakers include specialists from the Seattle Employees' Retirement System, Deferred Compensation, the Social Security Administration, as well as a Financial Planner, Attorney, and a panel of retirees.

A few of the highlights presented by the Seattle Employee's Retirement System include pension benefits, eligibility of retirement, medical & dental coverage, and Portability rules. Many employees who apply for retirement are financially and emotionally unprepared. However, City employees who have attended the "Preparing for Retirement" class consistently report feeling more knowledgeable about their benefits and at ease about retirement.

More information about the "Preparing for Retirement" class can be found on ESD's InWeb site entitled "Employee Development and Training: A Reference Guide" or by calling Sue Tribolini at 684-4659. Applications may be picked up from your Department Training Coordinator or from the Performance Resource Group at 684-7994. Classes are held 3 times a year - February/March, May/June, and September/October. Keep in mind that a waiting list is maintained for this class and spaces are assigned 6 weeks prior to the commencement of each program.

Retirement Fund Investment Return

The financial markets experienced extreme volatility in 1998. The Retirement Fund is well diversified however, and so experienced a 15.1% return for 1998. For the previous three years, 1995, 1996, and 1997 the Retirement Fund averaged a 16% return, far exceeding our target 8% annual return.

Retirement Membership Waiting Period

Members who were employed by the City prior to January 1, 1988, will receive credit for their initial six months of service even though no contributions were made for those months. Anyone who became a member from January 1, 1988 to December 31, 1998 will receive credit only for the time they were making contributions to the Retirement System; their first six months will not count toward retirement. After 1998, membership will begin upon employment with no waiting period, so all employment will count toward retirement.

Post Retirement Cost of Living Increase - For Members Who Retired Prior to January 1, 1998

Each December the monthly retirement allowances will be increased to reflect an annual bonus payment to help offset the adverse effects of inflation. The bonus payment will be a percentage factor based on the number of years retired, times the original annual retirement allowance. The percentage factors were designated to more equitably offset the effects of inflation on members who have been retired the greatest length of time. In December 1999, the factors will be as follows:

- 3% of the original annual allowance for members who have been retired from two to five years, inclusive. (Including 1997, 1996, 1995, 1994)
- 6% of the original annual allowance for members who have been retired from six to nine years, inclusive. (Including 1993, 1992, 1991, 1990)
- 9% of the original annual allowance for members who have been retired from ten to thirteen years, inclusive. (Including 1989, 1988, 1987, 1986)
- 12% of the original annual allowance for members who have been retired from fourteen to eighteen years, inclusive. (Including 1985, 1984, 1983, 1982, 1981)
- 15% of the original annual allowance for members who have been retired from nineteen to twenty-three years, inclusive. (Including 1980, 1979, 1978, 1977, 1976)
- 18% of the original annual allowance for members who have been retired from twenty-four to twenty-eight years, inclusive. (Including 1975, 1974, 1973, 1972, 1971)
- 21% of the original annual allowance for members who have been retired from twenty-nine years or more. (Including 1970 and before)

Example: If your original annual allowance was \$1,000 per month and you have been retired for eleven years, your bonus dividend would be calculated as follows:

$$\text{\$ 1,000} \times 12 \text{ months} = \text{\$12,000}$$

$$\text{\$12,000} \times 9\% = \text{\$1,080}$$

\$1,080 would be your bonus for that particular year.

If this bonus plus the total retirement allowance you have received during the year will not purchase 60% of what your original retirement allowance would purchase, the bonus will be increased so you receive 60% of the original purchasing power of your pension. This increased portion of your bonus will be paid throughout the year by increasing your monthly check.

Post Retirement Cost of Living Increase - For Members Who Retired After December 31, 1997

Each December the monthly retirement allowance will be increased to provide the highest benefit calculated under any one of the following three cost of living adjustments:

1. The annual bonus described above.
2. A 1.5% annual compounding COLA
3. A COLA which would provide 60% of the purchasing power which the members original retirement allowance could purchase.

Working after Retirement Could Effect Your Pension.

If you are considering returning to work for the City of Seattle make sure you are aware of the rules that could effect your retirement benefit. The portion of your pension that came from your contributions will never be suspended. However, if you become a permanent City employee the portion of your pension that came from City contributions will be suspended except as to the amount such pension payments may exceed the salary you receive for the same period. If you are employed by the City in a temporary classification for less than 1040 hours in a calendar year there will be no suspension of your pension. Please call the Retirement Office and let us know if you are or will be employed by the City or if you have additional questions.

Retirement System Funding Status

On December 31, 1997, the Retirement System reached an overfunded status with an \$118,800,000 surplus (assets of \$1,224,600,000 and an actuarial liability of \$1,105,800,000). In 1998 the City funded a permanent COLA for active and retired members that resulted in the \$118,800,000 surplus changing to a \$42,100,000 liability. The 15.1% investment return in 1998 exceeded our actuarially assumed 8% return however, and as of December 31, 1998 we again enjoy a funding surplus of \$8,800,000. The current combined City and employee contribution rate of 16.06% also exceeds the actuarially required 14.54% contribution.

Y2K Readiness

We believe all critical Retirement System in-house computer programs and software are now Y2K compliant. We are also monitoring all our consultants, investment managers and vendors to be assured there will be no major problems effecting the Retirement System due to Y2K.

Future Newsletters

If there are any items or issues that you would like to see addressed in future newsletters, please contact our office.
